



Federal Grad PLUS vs. Private Education Loans

Which one is right for you?

Determining how to finance your graduate/professional school education is tough, unless you have the facts. There are many education loan options available, both private and federal, that can be useful in filling the gap between the cost of education and your financial aid package. One of the best options is a Federal Graduate PLUS Loan. With high approval rates and a low, fixed student loan interest rate, this new federal PLUS loan option gives graduate and professional students an alternative to private student loans. The chart below will help you determine which option is right for you. Regardless of which loan option you choose, you should contact your financial aid office.

	Federal Graduate Plus Loan	Private Education Loans
Annual Loan Limit	Cost of Attendance (COA), less other financial aid received.	COA for some education loans, while others have limits ranging from \$20,000, not to exceed COA.
Minimum Loan Amount	No federal minimum.	Minimum amounts vary from \$500 to \$1,500.
Aggregate Limit (Lifetime limit)	None.	Aggregate limits can range from \$70,000 to \$130,000.
Fees	3% origination fee. 1% federal default fee - This fee is paid by the Iowa College Student Aid Commission for the 2006-2007 award year ¹ .	Fees vary. Some offer zero fees but have higher interest rates, while others have fees that are generally based on your credit history, ranging from 1% to 10%.
Interest Rate	8.5% fixed interest rate for Federal Family Education Loan Program (FFELP) PLUS loans first disbursed on or after July 1, 2006.	Most interest rates are variable rates that are adjusted monthly, quarterly, or annually. Interest rates may vary based on your credit history. They are typically based on the Prime rate or LIBOR ² plus add-on points with caps that may exceed 20%.
Interest Capitalization	Generally, interest can be capitalized (added to the loan's principal balance) no more frequently than quarterly.	Interest is typically capitalized (added to the loan's principal balance) quarterly, annually, or at repayment depending on the private loan program.
Repayment Term	10 years under a standard repayment schedule. Other repayment schedules include graduated, extended (up to 25 years), and income sensitive.	Repayment terms vary from 4 to 25 years based on the program and loan amount borrowed. Many offer both a standard or graduated repayment schedule.
Minimum Payment Amount	The minimum payment amount is \$50 per month.	Minimum payment amounts vary by loan program and amount borrowed. Minimum payment amounts may range from \$17 per month and up.

¹All loans guaranteed by the Iowa College Student Aid Commission (ICSAC) from 7/1/06 to 6/30/07 will qualify for this benefit unless statutory, regulatory, or other changes occur that adversely impact ICSAC. This benefit will be reviewed on an annual basis.

²The London Interbank Offered Rate Index (LIBOR) is an average of the interest rates that major international banks charge each other to borrow U.S. dollars in the London money market.

Iowa College Student Aid Commission

200 10th ST FL 4th · Des Moines, IA 50309-3609

Phone: 800-383-4222 · Fax: 515-242-3388

Email: info@iowacollegeaid.org · Website: www.iowacollegeaid.gov



Your Financial Aid Connection

	Federal Graduate Plus Loan	Private Education Loans
Grace Period	None. Borrowers can request deferment or forbearance to postpone payments.	Many programs allow payments to be postponed for six months after graduation, withdrawal, or enrollment drops below halftime.
Enrollment	At least halftime.	Some programs are available to students enrolled less than halftime.
Cosigner Required	No. A cosigner may be obtained if the borrower doesn't meet the credit criteria.	Many programs require a cosigner when borrowers don't meet debt-to-income and/or credit requirements. A cosigner may also help the borrower qualify for better loan terms.
Credit Check	Yes, but results are not used to determine loan terms. A lack of credit history is not considered adverse credit. An applicant is considered to have adverse credit if any of the following apply: <ul style="list-style-type: none"> 90 days or more delinquent on any debt. During the 5-year period before the date of the credit report there has been a default on debt, foreclosure, tax lien, repossession, wage garnishment, write-off of Title IV debt, or debt has been discharged in a bankruptcy. 	Yes, for both the borrower and cosigner. More stringent credit criteria is used to determine creditworthiness. Many programs use the results of the credit check to determine the loan terms including the interest rate. Lack of credit often requires a cosigner on the loan, or the loan is offered with higher fees and/or interest rates. Some programs will release a cosigner from liability after a set number of consecutive on-time monthly payments, and if the borrower meets credit guidelines.
Required Documentation In Addition to the Application	None.	Yes, many programs require additional documentation to verify income and assets, such as verification of monthly mortgage or rent expense, pay-stubs, and/or copies of W2's and other tax documents.
Deferment and Forbearance	Yes, deferments are federally-guaranteed entitlements for qualified borrowers who are in school at least halftime, unemployed, experiencing economic hardship, participating in a graduate fellowship or rehabilitation training program, or are subject to military mobilization ³ . In most cases, forbearance is granted at the loan holder's discretion. There are exceptions for certain qualified borrowers (for example, medical and dental interns and residents).	Many programs allow payments to be postponed while the borrower is enrolled at least halftime (some programs allow less than half-time enrollment.) However, private loan lenders are not required to offer deferments or forbearances.
Loan Discharge and Forgiveness	PLUS loans may be discharged (forgiven) by the federal government under certain circumstances such as total and permanent disability or death.	No. Most lenders do not discharge loan balances for any reason. If the borrower dies, some lenders will pursue the borrower's estate to satisfy the debt. A cosigner, if any, may be responsible for the repayment of the loan obligation even in the event of the borrower's death.
Federal Consolidation	PLUS loans can be consolidated with the borrower's other federal loans. The interest rate cap on federal consolidation loans is 8.25% which is .25% lower than the fixed PLUS rate.	No. Private loans cannot be included in a federal consolidation loan. However, private loan balances may affect a maximum repayment period allowed.

³Military deferment is available July 1, 2006, for loans made on or after July 1, 2001. Not all U.S. military personnel may qualify.

